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MEETING  
STATE LANDS COMMISSION  
STATE OF CALIFORNIA

OFFICE BUILDING NINE  
744 P STREET  
ROOM 102  
SACRAMENTO, CALIFORNIA

WEDNESDAY, FEBRUARY 6, 1991  
10:00 A. M.

Nadine J. Parks  
Shorthand Reporter

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**MEMBERS PRESENT**

Leo T. McCarthy, Lieutenant Governor, Chairman

Jim Tucker, representing Gray Davis, State  
Controller, Commissioner

LaFenus Stancell, representing Thomas W. Hayes,  
Director of Finance, Commissioner

**Staff Present:**

Charles Warren, Executive Officer  
James F. Trout, Assistant Executive Officer  
Robert C. Hight, Chief, Legal Division

**Also Present:**

Mike Crow, Deputy Attorney General

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P R O C E E D I N G S

--o0o--

CHAIRMAN MC CARTHY: Good morning, ladies and gentlemen. Welcome to the meeting of the State Lands Commission.

To my right is Commissioner Tucker, and to my left is Commissioner Stancell. My name is Leo McCarthy.

The minutes of the last meeting, without objection, are approved.

Consent Items 15 -- Consent Item 15, and Items 21 and 24 are pulled from the calendar. Any others pulled from the calendar?

EXECUTIVE OFFICER WARREN: No, Mr. Chairman.

CHAIRMAN MC CARTHY: All right. Why don't we proceed on the calendar, please. Oh, without objection, the consent calendar is approved.

All right. Let's proceed to the regular calendar.

EXECUTIVE OFFICER WARREN: The first regular calendar item, Mr. Chairman --

CHAIRMAN MC CARTHY: 19.

EXECUTIVE OFFICER WARREN: -- and Commissioners, is Item No. 19, which will be presented by Mr. Lance Kiley, who is the Chief of our Land Management Division.

MR. KILEY: This item, Mr. Chairman and Commissioners, is an update of our lease terms and

1 a renewal of the lease, second renewal of the lease for  
2 the Mobil Oil Corporation, a piece of tide and submerged  
3 lands in the Rincon Field in Santa Barbara Channel for  
4 a period for drilling through the parcel into an adjacent  
5 parcel.

6 The new lease would require a systems safety  
7 review and an emergency response plan to be drafted.

8 CHAIRMAN MC CARTHY: Any questions from the  
9 Commissioners? If not, the recommendation is approved.

10 Item No. 20.

11 EXECUTIVE OFFICER WARREN: Mr. Kiley will also  
12 present this item, Mr. Chairman.

13 MR. KILEY: Item 20 is a general lease right-of-  
14 way use to Union Oil Company of California for a parcel  
15 of tide and submerged land in Old River in Contra Costa  
16 And San Joaquin Counties.

17 There was some concern about some damage to  
18 riparian vegetation as a result of this. The project  
19 proponent has agreed to provide mitigation by replanting  
20 at a two-to-one ratio to compensate for that.

21 CHAIRMAN MC CARTHY: Mr. Pete Schnieders,  
22 would you like to testify on this one, Mr. Schnieders?

23 MR. SCHNIEDERS: I'll only answer questions if there  
24 are any.

25 CHAIRMAN MC CARTHY: All right. Any questions by

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1 Commissioners?

2 Any questions by any member of the audience here?

3 If not, the recommendation is approved. 21.

4 EXECUTIVE OFFICER WARREN: That has been pulled,  
5 Mr. Chairman.

6 CHAIRMAN MC CARTHY: That has been pulled. 22.

7 EXECUTIVE OFFICER WARREN: The next item will be  
8 22. Mr. Kiley will also present that.

9 MR. KILEY: This is an item authorizing the  
10 School Land staff to offer for sale, but not to  
11 consummate the sale, of 15 parcels throughout the State.  
12 I am told that there is one parcel in Santa Barbara  
13 County that should not be on here. I'm a little unclear  
14 as to which parcel that is at the moment. So, I would  
15 suggest that those two parcels, both in Santa Barbara  
16 County, be pulled until I can clarify that.

17 CHAIRMAN MC CARTHY: Any problem with that?  
18 All right. That will be done.

19 Do they have a problem if we don't act on the one  
20 that we do not intend to pull? Does that cause any  
21 difficulty down there?

22 MR. KILEY: I don't believe it will cause any  
23 difficulty. It would be a one-month day, and I don't think  
24 that's significant in this case.

25 CHAIRMAN MC CARTHY: All right. Any questions on

1 what remains in the item?

2 All right. If not, approved as recommended.

3 23.

4 EXECUTIVE OFFICER WARREN: 23, Mr. Chairman, will  
5 be presented by Mr. Robert Hight.

6 MR. HIGHT: Mr. Chairman, this is the  
7 authorization to settle a rental problem with Riverbank  
8 Holding Company.

9 Basically, the rental in issue is an overpayment  
10 of some \$6,000 based upon an erroneous billing for the  
11 years '87 through '90. And we're proposing that we  
12 accept a credit for those amounts for the next year.

13 CHAIRMAN MC CARTHY: Any questions by the  
14 Commissioners? Members of the audience?

15 The recommendation is approved. 25.

16 EXECUTIVE OFFICER WARREN: 25, Mr. Chairman, will  
17 be presented by Mr. Jim Trout.

18 ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman,  
19 as part of the 1973 boundary settlement at Huntington  
20 Beach, which involved the Bolsa Chica area, the State  
21 received an option to acquire real property in the amount  
22 of 230 acres if the State did a couple of things.

23 One of them is obtain funding for an ocean  
24 entrance system within 10 years of the date of that  
25 agreement, and construction completion by the end of 14

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1 years.

2 Those time periods were subsequently extended  
3 several times, but have all expired. It is the position  
4 of the staff that the option has expired by its own  
5 terms. However, the current operator of the private  
6 property has asked the Commission to approve a notice  
7 of termination of option and lease quitclaim deed can be  
8 recorded.

9 The new plan for Balsa Chica does not provide  
10 a navigable ocean entrance or a marina and, therefore,  
11 fulfilling the terms of the '73 agreement would now be  
12 impossible.

13 And we recommend approval of the filing of the  
14 notice of termination and quitclaim deed.

15 CHAIRMAN MC CARTHY: All parties were noticed  
16 on this item?

17 ASSISTANT EXECUTIVE OFFICER TROUT: All parties  
18 were noticed, all parties understand, and this is merely  
19 a formality, as we said, because we think the terms  
20 expired by their own words.

21 This is an abundance of caution.

22 CHAIRMAN MC CARTHY: No one has objected to this  
23 action?

24 ASSISTANT EXECUTIVE OFFICER TROUT: No objection.

25 CHAIRMAN MC CARTHY: Questions by members of the

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1 Commission?

2 Members of the audience?

3 Recommendation is approved.

4 26.

5 EXECUTIVE OFFICER WARREN: Item 26, Mr. Chairman  
6 and Commissioners, is an informational item concerning  
7 the implementation of the Commission's directions to  
8 establish a processing fee schedule for applicants to  
9 obtain leases and other interest in State property.

10 It has been -- the schedule is set forth in the  
11 calendar item. One addition we would like to make on the  
12 record is that an hourly fee schedule of categories of  
13 services will be prepared, which will be available to  
14 applicants, which will show them the hourly basis on  
15 which the fee has been determined.

16 CHAIRMAN MC CARTHY: When you say it will be  
17 available, may I suggest that we mail to the applicant  
18 what that schedule will be for that particular kind of  
19 application?

20 EXECUTIVE OFFICER WARREN: Yes. And your suggestion  
21 will be accommodated.

22 CHAIRMAN MC CARTHY: Any questions by members of  
23 the Commission?

24 COMMISSIONER TUCKER: How do the fees listed  
25 under minimum expense deposit column, how do they compare  
with what we're charging now?

1 ASSISTANT EXECUTIVE OFFICER TROUT: On many of  
2 these we have not been charging anything. In other  
3 words, if the lease provided income, we felt that the  
4 processing fees would be recovered as part of the income.  
5 But in the meantime, the Commission has lost 28 positions  
6 as a result of the budget cuts.

7 And to restore those positions, so we can  
8 process these, we've recommended implementation of a  
9 processing fee. And that restores a number of those  
10 positions to allow for the processing of these leases.

11 The figures were calculated based on the number  
12 of hours of the various classes of employees that worked  
13 on it on an average transaction times the hourly rate.

14 COMMISSIONER TUCKER: Just going through a few of  
15 these, like the commercial lease, you have \$10,000. You  
16 say right now we charge nothing.

17 ASSISTANT EXECUTIVE OFFICER TROUT: That's  
18 correct. We just charge a minimum processing fee, which  
19 I think is \$250.

20 COMMISSIONER TUCKER: Okay. And that's the same  
21 with all of these others?

22 ASSISTANT EXECUTIVE OFFICER TROUT: That's  
23 correct.

24 COMMISSIONER TUCKER: These are, in effect,  
25 totally new charges; is that right?

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1 ASSISTANT EXECUTIVE OFFICER TROUT: That's  
2 correct. Except for rent free, other than recreational  
3 piers, we did charge many public agencies for processing  
4 leases, because they produced no revenue.

5 COMMISSIONER TUCKER: Okay. Are there any  
6 examples, say, with a grazing lease, where the charge  
7 for processing the lease exceeds the amount of the lease  
8 itself?

9 ASSISTANT EXECUTIVE OFFICER TROUT: They're  
10 certainly very close to being the same. And Mr. Kiley's  
11 staff has been looking at grazing leases, and we have  
12 recommended to the Commission in several cases that we  
13 simply not process grazing leases under certain  
14 conditions.

15 There are some areas where we have some  
16 grasslands where it's entirely appropriate and the fee is  
17 not out of line.

18 COMMISSIONER TUCKER: Okay. When you say not  
19 process, that means you would not allow the person to  
20 graze?

21 ASSISTANT EXECUTIVE OFFICER TROUT: That's  
22 correct. We just wouldn't -- we wouldn't process a  
23 grazing lease.

24 COMMISSIONER TUCKER: And what's the reason for  
25 that?

1 ASSISTANT EXECUTIVE OFFICER TROUT: One, the  
2 cost exceeds the value of the lease itself. The lease  
3 may only be a ten-year lease at \$150 a year. The processing  
4 cost exceeds it.

5 Second, we have some concerns about our ability  
6 to charge significant -- let's say fair-market grazing  
7 rental rates. Most of our -- the Commission's land is  
8 intermixed with BLM land. Under Federal grazing  
9 allotments, there is a statutory schedule for Federal  
10 grazing fees. And the grazers are unwilling to pay us  
11 more than the Federal fee, which right now is like a  
12 dollar-eighty an AUM.

13 Private property owners are getting somewhere  
14 between \$5.00 and \$8.00 an AUM. They won't pay that to  
15 the State. It's north it to them to pay a higher amount,  
16 since they're grazing the surrounding Federal land.

17 So, it's in the interest of the Retired Teachers  
18 not to spend more money than the lease is worth.

19 COMMISSIONER TUCKER: Is it likely, say in that  
20 example, where there's Federal land surrounding, they'll  
21 just go ahead and graze on our land and not pay us  
22 anything?

23 ASSISTANT EXECUTIVE OFFICER TROUT: That is  
24 possible occasionally, yes.

25 COMMISSIONER TUCKER: And we don't have any way of

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1 preventing that.

2 ASSISTANT EXECUTIVE OFFICER TROUT: Not unless we  
3 wanted to go out and fence it or something. But it's  
4 still -- we're better off that way in many cases.

5 COMMISSIONER TUCKER: Okay.

6 CHAIRMAN MC CARTHY: Any other questions?

7 COMMISSIONER TUCKER: Just one other. Are there  
8 any other examples where the fee is going to exceed  
9 the cost of the lease, or permit, or whatever?

10 ASSISTANT EXECUTIVE OFFICER TROUT: Let me  
11 direct that to Mr. Kiley and see if he can answer that.

12 MR. KILEY: I think only on the grazing leases,  
13 that Mr. Trout's already addressing, on the public agency  
14 ones where we have not traditionally charged rent.

15 On all the others, we would expect the rents to  
16 exceed the cost of the fees at least.

17 COMMISSIONER TUCKER: Okay.

18 One thing, Mr. Warren, I would like it to be  
19 reported back to the Commission if you notice that the  
20 fees are having an impact on the, you know, the fact that  
21 people are applying for a particular permit, if we notice  
22 that there's some sudden drop.

23 That doesn't mean that we necessarily want to do  
24 something, but I think we should be aware if there is some  
25 impact in charging those fees.

1 EXECUTIVE OFFICER WARREN: All right.

2 COMMISSIONER TUCKER: Particularly if it's going  
3 to, you know, increase trespassing in use of our land  
4 without our getting paid.

5 EXECUTIVE OFFICER WARREN: Your request will be  
6 noted and will be honored.

7 COMMISSIONER TUCKER: Thank you.

8 EXECUTIVE OFFICER WARREN: Maybe in three  
9 months, first report.

10 CHAIRMAN MC CARTHY: Any other questions?

11 MR. KILEY: Could we return to Item 22 for just  
12 a moment?

13 CHAIRMAN MC CARTHY: We haven't quite finished  
14 with this yet. Anybody in the audience?

15 ASSISTANT EXECUTIVE OFFICER TROUT: This is an  
16 informational item, Mr. Chairman.

17 CHAIRMAN MC CARTHY: I'm aware of that. Anybody  
18 in the audience wish to comment on Item 26?

19 All right. Thank you very much. 22?

20 MR. KILEY: 22, just for a minute, so I can call  
21 your attention to a letter that I received by FAX last  
22 night from Donald Walker. He proposes to take a lease  
23 option to purchase a parcel near "Slab City," called  
24 Slab City. I think the staff position would be that he  
25 should go ahead and bid on it if he wishes to participate

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1 in the process like everybody else.

2 CHAIRMAN MC CARTHY: He's a slab expert?

3 MR. KILEY: I think he believes himself to be.

4 CHAIRMAN MC CARTHY: Any questions? All right.  
5 Go ahead.

6 Anything else?

7 EXECUTIVE OFFICER WARREN: That concludes the  
8 agenda, Mr. Chairman.

9 CHAIRMAN MC CARTHY: All right. Thank you very  
10 much, ladies and gentlemen. That's the end of this  
11 particular meeting.

12 (Thereupon, the meeting was adjourned  
13 at 10:20 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify that I am a disinterested person herein; that the foregoing meeting of the State Lands Commission was reported by me in shorthand writing, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, and that I am not interested in the outcome.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of February, 1991.

  
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Shorthand Reporter

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